A Study on Comparative Analysis of Public and Private Housing Finance Companies in India

Dimple Chawla[1*] | Dr. Pratima Rawal[2]

[1]Research Scholar, School of Commerce & Management, Career Point University, Kota.
[2]Associate Professor, School of Commerce & Management, Career Point University, Kota.

[*]**Corresponding author:** dimplechawla977@gmail.com

Abstract: *India is a growing economy and the infrastructure development is a key to it. Presently 13% CAGR was recorded for HFCs growth in India and as per the current market research conducted by the CMI Team, the India Housing Finance Market is expected to record a CAGR of 24.1% from 2024 to 2033. In 2024, the market size is projected to reach a valuation of USD 385.14 Billion. By 2033, the valuation is anticipated to reach USD 2,669.39 Billion. The Public Housing Finance and Private Housing Finance Limited such as HDFC, PNB, LIC, India Bulls, and Star Health and Allied Insurance, reveals significant trends and variations in financial performance over the observed period. They are the leading housing finance companies in India, has shown a significant growth since their inception. They are reliable and stable player in the finance-housing sector. Financial analysis of the housing companies allows us to identify their financial strengths and weaknesses. The financial analysis of recent financial years from 2014 to 2023 shows that the housing finance companies that they are doing well and no much difference is found in their business growth. Total Revenue, Total Expenses, Profit/Loss for the Period, Current Ratio, Quick Ratio, Debt Equity Ratio, Net Profit Margin (%), Return on Capital Employed (%), Asset Turnover Ratio has been taken for the analysis. Therefore, the primary aim of this paper is to analyse the financial strengths and weakness of the prominent housing finance companies on the basis of the last 10 years financial statement. The analysis highlights varied long term and short term financial aspects of the companies. The balance sheet and business growth has been observed in the housing finance sector in India. Overall, this comprehensive analysis underscores the dynamic landscape of India's housing finance and insurance sectors, emphasizing the critical role of strategic financial management in achieving sustained growth and profitability. This study aims to provide a comparative analysis of public and private HFCs in India considering the last 10 years financial data.*

Introduction

The housing finance sector in India has emerged as a pivotal component of the country's economic growth and development, playing a crucial role in addressing the housing needs of a rapidly urbanizing population. With a significant proportion of the Indian populace aspiring for home ownership, the demand for housing finance has surged over the years. This sector encompasses a diverse range of institutions, including public and private housing finance companies, banks, and non-banking financial companies (NBFCs), all dedicated to providing accessible and affordable financing solutions for residential properties.

The Indian government has implemented various initiatives and policies aimed at promoting affordable housing, such as the Pradhan Mantri Awas Yojana (PMAY), which seeks to ensure housing for all. These efforts, coupled with favorable demographic trends and increasing disposable incomes, have fueled the growth of the housing finance sector. Additionally, the sector has witnessed advancements in technology, leading to improved customer service, streamlined processes, and enhanced accessibility to loans.

As India continues to evolve, the housing finance sector is expected to play a crucial role in meeting the demands of homebuyers while contributing to the overall economic stability and growth of the nation.

This analysis of housing finance and insurance companies in India, including HDFC, PNB, LIC, India Bulls, and Star Health and Allied Insurance, reveals significant trends and variations in financial performance over the observed period. HDFC emerges as a leader, exhibiting remarkable growth in Equity Share Capital, Total Reserves, and Shareholders' Funds, alongside effective debt management evidenced by a reduction in long-term borrowings to zero. PNB and LIC also show robust financial health, while India Bulls and Star display moderate growth patterns. The analysis highlights varied liquidity strategies, with most firms experiencing rising current liabilities, reflecting increasing operational demands. Additionally, fluctuations in deferred tax liabilities and provisions suggest active financial planning in response to market conditions. Overall, this comprehensive analysis underscores the dynamic landscape of India's housing finance and insurance sectors, emphasizing the critical role of strategic financial management in achieving sustained growth and profitability.

In terms of profitability, HDFC consistently ranks highest, showcasing superior earnings metrics, while PNB and LIC exhibit volatility, indicating financial variability. The study also explores current tax payments, dividend policies, and market valuation ratios, revealing distinct strategic approaches among the firms. HDFC's effective cost management and strong revenue generation strategies position it favorably within the sector. Conversely, the performance of PNB, LIC, India Bulls, and Star indicates varying degrees of operational challenges and market perceptions. Overall, this comprehensive analysis underscores the dynamic landscape of India's housing finance and insurance sectors, emphasizing the critical role of strategic financial management in achieving sustained growth and profitability.

Objectives of the Research

- To analyze the financial position of the selected housing finance companies in India using financial analysis techniques such as ratio analysis.

- To compare the public and private housing finance companies performance in India.

Research Methodology

- **Research Area (Location):** Housing finance companies of India. This study is based on the financial analysis of the last ten years, i.e., from 2012 to 2022.

- **Sample:** Public Housing finance Companies: Can Housing finance Ltd. (Public) , LIC Housing finance Limited, Punjab National Bank Housing finance. Private Housing finance Companies: Housing Development Finance Corporation (HDFC), India bulls Housing finance Ltd. (Private), Star Housing finance Ltd.

- **Data Collection Method:** Secondary Method is used which includes financial statements, books, newspaper and article will be studied for analyzing the financial analysis of housing finance companies. The various factors and variables under study will be profitability, sales performance and liquidity situation, and business efficiency.

Data Analysis

First Hypothesis

H_0:   There is no significance difference between the current ratio of the selected housing finance companies in India.

H_1:   There is significance difference between the current ratio of selected housing finance companies in India.

Table 1: Hypothesis One - ANOVA Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	211.5107333	5	42.30215	0.619361	0.685551	2.38607
Within Groups	3688.17924	54	68.29962			
Total	3899.689973	59				

Interpretation: The p-value is 0.68 which is more than .05. Thus, H0 is accepted. Therefore, there is no significance difference between the current ratio of the selected housing finance companies in India.

Second Hypothesis

H_0: There is no significance difference between the profitability of the selected housing finance companies in India.

H_1: There is significance difference between the profitability of the selected housing finance companies in India.

Table 2: Hypothesis Two - ANOVA Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.07×10^8	5	1.61×10^8	48.25321	1.01236×10^{-18}	2.38607
Within Groups	1.81×10^8	54	3343854			
Total	9.87×10^8	59				

Interpretation: The p-value is less than .05. Thus, H0 is rejected. Therefore, there is significance difference between the profitability of the selected housing finance companies in India.

Third Hypothesis

H_0: There is no significance difference between the Net Profit Margin of the selected housing finance companies in India.

H_1: There is significance difference between the Net Profit Margin of selected housing finance companies in India.

Table 3: Hypothesis Three - ANOVA Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2465.01	5	493.002	11.4546	1.45899E-07	2.38607
Within Groups	2324.15	54	43.0398			
Total	4789.16	59				

Interpretation: The p-value is less than .05. Thus, H0 is rejected. Therefore, there is significance difference between the Net Profit Margin of selected housing finance companies in India.

Fourth Hypothesis

H_0: There is no significance difference between the Return on Capital Employed of the selected housing finance companies in India.

H_1: There is significance difference between the Return on Capital Employed of selected housing finance companies in India.

Table 4: Hypothesis Four - ANOVA Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	300.427	5	60.0854	0.4095	0.84012	2.38607
Within Groups	7923.4	54	146.73			
Total	8223.83	59				

Interpretation: The p-value is 0.84 which is more than .05. Thus, H0 is accepted. Therefore, there is no significance difference between the Return on Capital Employed of the selected housing finance companies in India.

Fifth Hypothesis

H_0: There is no significance difference between the overall financial positions of the selected housing finance companies in India.

H_1: There is significance difference between the overall financial positions of the selected housing finance companies in India.

Table 5: T-test of Statistics for Fifth Hypothesis

Treatment	Sample Size (N)	Mean (M)	Sum of Squares (SS)	Variance (s^2)	Pooled Variance (s^2p)	Pooled Standrard Error (sM)	t-value
Public HF	10	3.86	509.14	56.57	28.5	1.69	0.6
Private HF	10	2.43	3.9	0.43		1.69	

Interpretation: The t-value is 0.59894. The p-value is .556678. The result is *not* significant at $p < .05$. Therefore, Ho is accepted. There is no significance difference between the overall financial positions of the selected housing finance companies in India.

Sixth Hypothesis

H$_0$:   There is no significance difference between the public and private housing finance companies on the basis of their ROCE.

H$_1$:   There is significance difference between the public and private housing finance companies on the basis of their ROCE.

Table 6: Cash Flow and Financial Position Hypothesis Sixth - ANOVA Test

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	378802258.6	5	75760452	11.40044	1.55×10^{-7}	2.38607
Within Groups	358851479.2	54	6645398			
Total	737653737.7	59				

Interpretation: The p-value is less than .05. Thus, H0 is rejected. Therefore, there is significance difference between the public and private housing finance companies on the basis of their ROCE.

Comprehensive Financial Analysis

The financial performance of HDFC, PNB, LIC, India Bulls, and Star Health and Allied Insurance reveals significant trends and distinctions in various metrics, reflecting their operational efficiency and market positioning.

Revenue Performance

- **Revenue per Share**: PNB and LIC exhibit strong operational performance with higher Revenue per Share, while Star Health and Allied Insurance shows the lowest figures, indicating differing revenue structures. HDFC and India Bulls report substantial growth in Revenue per Share, underscoring their effective income generation strategies.

Profitability Metrics

- **Net Profit per Share**: PNB shows significant fluctuations in Net Profit per Share, pointing to variable profitability, while Star Health consistently lags with the lowest figures. HDFC stands out with substantial peaks, indicating robust profitability at certain intervals. India Bulls demonstrates high variability, influenced by market conditions, while LIC maintains moderate stability.

- **Net Profit Margins**: HDFC showcases strong net profit margins, reflective of effective cost management. In contrast, PNB and Star face challenges, evidenced by lower margins, while India Bulls and LIC display variability, suggesting responses to market dynamics.

Return on Equity and Capital

- **Return on Net Worth/Equity**: PNB and Star show the lowest returns at times, hinting at operational challenges. HDFC's stable returns contrast with India Bulls' variable performance and LIC's moderate stability.

- **Return on Capital Employed**: HDFC and Star demonstrate effective capital utilization with higher returns, while PNB's lower ratios indicate potential efficiency challenges. LIC exhibits extreme variability, suggesting the influence of financial strategies.

- **Return on Assets**: Star consistently achieves higher returns on assets, indicating efficient asset utilization. HDFC shows stable to high returns, while PNB and LIC reflect lower to moderate performance.

Leverage and Liquidity

- **Debt to Equity Ratio**: PNB and LIC's higher ratios indicate significant financial leverage, while Star adopts a conservative approach with the lowest ratio. HDFC maintains low, stable ratios, reflecting prudent financial management.

- **Current Ratios**: Star and HDFC maintain strong liquidity positions, whereas PNB's extreme variability indicates potential liquidity challenges. LIC demonstrates consistent liquidity management.

Dividend Policies

- **Dividend Payout Ratios**: HDFC shows higher ratios, indicating a robust distribution policy. India Bulls exhibits extreme variability, including negative payouts, while PNB and Star show instances of not paying dividends. LIC maintains stable ratios, reflecting consistent profit distribution.

- **Retention Ratios**: Star's 100% retention on non-payout dates suggests a focus on reinvesting earnings, while HDFC and LIC maintain high ratios. PNB's consistent 0% retention points to a strategy of distributing all earnings.

Market Valuation Ratios

- **Price/BV Ratios**: PNB and India Bulls show instances of 0 ratios, indicating market valuation below book value. HDFC and Star generally enjoy higher ratios, suggesting market confidence.

- **Price/Net Operating Revenue Ratios**: Star and HDFC exhibit higher ratios, indicating premium valuations relative to revenue generation. PNB and LIC show varied ratios, reflecting differing market perceptions.

- **Earnings Yield**: India Bulls displays higher Earnings Yield in March 2020, suggesting favorable earnings relative to stock price. Other companies maintain lower but consistent yields.

HDFC consistently leads in profitability and operational scale, supported by robust revenue and effective cost management. PNB and LIC face sector-specific challenges, reflected in variable profitability and performance. India Bulls and Star Health and Allied Insurance demonstrate potential for growth through adaptability and evolving financial strategies, highlighting the diverse landscape of India's corporate sector.

This analysis underscores the importance of strategic financial management and responsiveness to market dynamics in shaping the performance and prospects of each company within its respective industry.

Conclusion

The analysis of various housing finance companies in India reveals significant trends and variations in their financial performance over the observed period. HDFC stands out with remarkable growth across multiple metrics, including Equity Share Capital, Total Reserves, and Shareholders' Funds, reflecting its strong market position and effective management strategies. PNB also demonstrated substantial increases in equity and reserves, indicating robust financial health, while other companies like India Bull and LIC showed moderate growth.

Notably, the reduction of long-term borrowings to zero by HDFC, India Bull, and LIC signals effective debt management, whereas fluctuating trends in short-term borrowings among several firms suggest varying liquidity strategies. The consistent increases in total current liabilities across most companies highlight the growing operational demands in the housing finance sector.

Furthermore, the fluctuations in deferred tax liabilities and provisions indicate active financial planning and adjustments in response to changing market conditions. Overall, the diverse performance patterns among these companies underline the dynamic nature of the housing finance industry in India, with HDFC emerging as a leader in profitability and asset management. This comprehensive analysis

illustrates the critical role that housing finance companies play in driving economic growth and stability in the country.

The financial analysis of HDFC, PNB, LIC, India Bulls, and Star Health and Allied Insurance reveals distinct trends in tax payments, profitability, and shareholder returns. HDFC emerges as the leader in current tax payments, reflecting its substantial taxable income from housing finance operations, while PNB and LIC also demonstrate significant tax contributions due to their activities in banking and insurance. The varied current tax payments of India Bulls and Star suggest differing financial strategies and operational impacts.

Deferred tax liabilities further illustrate HDFC's strong market position, as it consistently exhibits significant liabilities. PNB's fluctuations in deferred tax values indicate responsiveness to changing tax rates, while other companies like Can and India Bulls display varying patterns, indicative of their unique financial strategies.

In terms of profitability, HDFC consistently ranks highest, with PNB and LIC showing volatility, signaling variability in their financial performance. The earnings per share (EPS) metrics reveal HDFC's robust earnings relative to outstanding shares, contrasting with Star's lower EPS, which suggests profitability challenges.

Dividend policies highlight PNB and HDFC's commitment to shareholder returns, although India Bulls' negative dividend in March 2022 warrants further investigation. Notably, HDFC also reported a negative tax on dividends in 2017, showcasing its effective tax planning.

Overall, HDFC's superior financial metrics, including Cash EPS and Book Value per Share, underline its dominance in the sector. PNB's strong asset backing reflects healthy shareholder equity growth. In contrast, Star's lower figures across various metrics point to potential operational challenges. This analysis illustrates the dynamic landscape of housing finance and insurance in India, emphasizing the importance of strategic financial management for sustained growth and profitability.

In conclusion, the analysis paints a comprehensive picture of the financial landscape among housing finance companies in India. While public firms demonstrate superior profitability and net profit margins, both public and private companies exhibit similar liquidity and capital efficiency as measured by current ratios and ROCE. These findings have important implications for investors, stakeholders, and policymakers, indicating that while public housing finance companies may offer better profitability, both sectors maintain comparable overall financial health. This nuanced understanding can guide future strategic decisions for both public and private entities within the housing finance sector.

References

1. Agarwal, A. (2013). "Emerging Trends in Housing Finance in India: An Analysis." *IOSR Journal of Economics and Finance*, Vol. 1, No. 6, pp. 9-15.

2. Agarwal, S. (2014). "The Evolution of Housing Finance in India and its Challenges." *International Journal of Financial Management*, Vol. 3, No. 2, pp. 34-42.

3. Awasthi, D. (2015). "The Changing Dynamics of Housing Finance in India." *International Journal of Financial Research*, Vol. 6, No. 4, pp. 88-98.

4. Bandaru Appala Satya Murthy (2017) A Study on Housing Finance in India with Special Reference to LIC Housing Finance Limited. *International Journal of Trend in Scientific Research and Development* (IJTSRD), ISSN No: 2456-6470, Volume-2, Issue–1, www.ijtsrd.com

5. Bertaud, Alain (2018). *Order Without Design: How Markets Shape Cities*. MIT Press.

6. Gopalan, K. (2015). *Affordable Housing in India: Policies and Challenges*. Sage Publications India.

7. Karnad, Renu Sud (2004). *Housing Finance in India: The Changing Scenario*. Tata McGraw Hill, New Delhi.

8. Murphy, David & Singh, Anjali (2010). *Real Estate Finance in India: Strategies for Profitable Investment*. Wiley India.

9. Tiwari, Piyush & Rao, Jyoti (2016). *Housing Markets and Housing Finance in India*. Springer International Publishing.

Websites

1.   https://www.canfinhomes.com/
2.   https://www.moneycontrol.com/
3.   https://shodhganga.inflibnet.ac.in/
4.   https://www.researchgate.net/
5.   https://www.hdfc.com/
6.   https://www.lichousing.com/
7.   https://www.pnbhousing.com/
8.   https://www.custommarketinsights.com/report/india-housing-finance-market/.

❑❑❑